

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Johnston Analyst: Jeani Brent Bill Number: SB 164

Related Bills: SB 353 (1991) Telephone: 845-3410 Introduced Date: 01/11/1999

Attorney: Doug Bramhall Sponsor: _____

SUBJECT: Exclusion/Reparation Payments Received by Persons of Japanese Ancestry from the Canadian Government

SUMMARY

Under the Personal Income Tax Law, this bill would provide an exclusion from gross income for amounts received as reparation payments paid by the Canadian government to redress the injustice done to persons of Japanese ancestry who were interned in Canada during World War II.

This bill would also make changes to the Education Code and the Welfare and Institutions Code. These changes do not affect the department and are not discussed in this analysis.

EFFECTIVE DATE

This bill would take effect immediately as an urgency statute and apply to taxable or income years beginning on or after January 1, 1999.

LEGISLATIVE HISTORY

Assembly Bill 4132 (Stats. 1988, Ch. 1234) provided an exclusion for amounts received under a federal law as reparation payments to redress the injustice done to United States citizens and resident aliens of Japanese ancestry who were interned during World War II. This exclusion was contingent upon the enactment of federal law that treated payments under the federal law as damages for human suffering under the internal revenue laws of the United States. This provision was repealed in 1994 (Stats. 1994, Ch. 1243) as obsolete from the passage of time.

Assembly Bill 353, which contained the same provisions as this bill, was introduced and approved by the Legislature in 1991, but vetoed by the Governor.

PROGRAM HISTORY/BACKGROUND

In 1988, the Canadian government authorized a payment of \$21,000, in a tax-free lump sum, to any person of Japanese ancestry who was interned during World War II by the Canadian government or descendants of those persons of Japanese ancestry. The reparation payments were expected to be made between September 22, 1988, and September 22, 1993. However, eligible persons could submit an application for reparation after September 22, 1993, if that person was unable to apply earlier because of facts or circumstances beyond that person's control. According to the author's staff, some persons continue to qualify for Canadian reparation payments.

Board Position:

_____ S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	_____ <u>X</u> PENDING

Department Director

Date

Gerald Goldberg

2/22/1999

SPECIFIC FINDINGS

Existing federal and state laws provide that gross income includes all income from whatever source derived, including compensation, business income, gains from property, dividends, rents, interest, and royalties, unless it is specifically exempt. Types of income that are excluded include amounts received from certain death benefits, gifts and inheritances, compensation for injuries and sickness, qualified scholarships, educational assistance programs, and foster care payments.

Existing state law does not specifically exclude from income reparation payments received by persons of Japanese ancestry.

This bill would provide an exclusion from gross income for amounts received as reparation payments by the Canadian government to redress the injustice done to persons of Japanese ancestry who were interned in Canada during World War II.

Implementation Considerations

Implementing this bill would occur during the department's normal annual system update.

FISCAL IMPACT

Departmental Costs

This bill would not significantly impact the department's costs.

Tax Revenue Estimate

Pending, expected minor.

BOARD POSITION

Pending.